

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 MC-02 PM-04 NSC-05 SP-02 SS-15 CIAE-00

INR-07 NSAE-00 DODE-00 EB-07 COME-00 TRSE-00 OMB-01

L-03 ACDA-07 /063 W

-----131024Z 027897 /13

R 130916Z JAN 77

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 8140

INFO CINCPAC HONOLULU

C O N F I D E N T I A L BANGKOK 0974

CINCPAC ALSO FOR POLAD

E.O. 11652: GDS

TAGS: MARR, MASS, PFOR, EGEN

SUBJECT: MUNITIONS PRODUCTION IN THAILAND

REF: STATE 309489

1. IN MID-DECEMBER TWO WINCHESTER CORP. SALESMEN VISITED BANGKOK TO DISCUSS SELF-SUFFICIENCY PROJECTS, PARTICULARLY A BALL POWDER PLANT, WITH RTARF AUTHORITIES. EMBOFFS AGREED TO PROVIDE APPROPRIATE ASSISTANCE BUT ADVISED BOTH MEN (MR. IVAN KENIS, WINCHESTER INTERNATIONAL, NEW HAVEN, CONN., AND MR. E.A. MCWHORTER, WINCHESTER GROUP, ST. MARKS, FLORIDA) ON RETURN TO U.S. TO DISCUSS PROPOSAL WITH EA/TB. (COPIES OF LETTERS TO MR. KENIS AND MR. MCWHORTER HAVE BEEN POUCHED TO EA/TB.)

2. MAIN THRUST OF WINCHESTER EFFORT IS TO SELL PLANT AND EQUIPMENT TO THAI INTERARMS CO., LTD (TIAC), REGISTERED AS NEW FIRM ON NOV. 2, 1976, AND TO LICENSE TIAC TO PRODUCE BALL POWDER FOR USE IN PRODUCING SMALL ARMS AMMUNITION. TIAC WILL SELL PRODUCT TO RTARF. PLANT WOULD PRODUCE ABOUT 1000 M/T OF POWDER ANNUALLY AND REPRESENT INVESTMENT OF ABOUT \$12 MILLION BY TIAC. MR. KENIS AND MR. MCWHORTER SAID  
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THAT SIMILAR SALES HAVE ALREADY BEEN MADE IN TAIWAN, SOUTH KOREA, AND IRAN.

3. WHILE IN BANGKOK, MR. KENIS AND MR. MCWHORTER LEARNED FROM THAI MILITARY CONTACTS ABOUT 20 MM PLANT PROPOSAL BY U.S. MUNITIONS CONSORTIUM (USMC). AS A RESULT, THEY MADE A PRESENTATION ON A PROPOSED WINCHESTER 20 MM LOAD,

ASSEMBLY, AND PACK (LAP) FACILITY.

4. SUBSEQUENTLY, MR. KENIS AND MR. MCWHORTER FORWARDED TO THE EMBASSY COPIES OF A PRELIMINARY PROPOSAL TO TIAC FOR CONSTRUCTION OF A BALL POWDER PLANT; IT IS TO BE SUBMITTED SOON BY TIAC TO COMMITTEE FOR THE ESTABLISHMENT OF AN EXPLOSIVES INDUSTRY, MINISTRY OF DEFENSE. MR. MCWHORTER AND MR. KENIS PLAN TO RETURN TO BANGKOK IN LATER JANUARY OR EARLY FEBRUARY TO ASSIST TIAC IN ITS PRESENTATION TO THE COMMITTEE.

5. IN ADDITION TO FOREGOING, MR. KENIS FORWARDED TO EMBASSY A COPY OF HIS LETTER OF DEC. 16 TO ADMIRAL SAK, J-4, MINISTRY OF DEFENSE, DESCRIBING WINCHESTER'S INTEREST IN BOTH THE BALL POWDER PLANT AND THE 20 MM LAP FACILITY. A COPY OF THIS LETTER IS BEING POUCHED TO EA/TB.

6. TIAC, AS NOTED IN FOREGOING, IS NEW COMPANY WHICH WOULD BE FIRST COMMERCIAL MUNITIONS MAKER IN THAILAND. IT COULD NOT, IN FACT, HAVE BEEN ESTABLISHED IN ABSENCE OF RECENT CHANGE IN DEFENSE MINISTRY REGULATIONS WHICH PREVIOUSLY FORBADE MUNITIONS PRODUCTION BY PRIVATE FIRMS. PRINCIPAL SHAREHOLDER IN TIAC IS RETIRED POLICE CAPTAIN SURAT OASTHANUKRON WHO IS GENERAL MANAGER AND PRINCIPAL SHAREHOLDER IN TECK HENG YOO CO., A RESPECTED LOCAL PHARMACEUTICAL MANUFACTURER. WE WILL OBTAIN NAMES OF OTHER SHAREHOLDERS, MANY OF WHOM ARE SAID TO BE RETIRED MILITARY OFFICERS.

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7. WITH REGARD TO REFTEL'S REQUEST FOR COMMENTS, WE HAVE FROM OUTSET ACTED ON BASIS THAT DEPARTMENT IS SATISFIED WITH BONA FIDES OF USMC (FOR EXAMPLE DEPUTY DEFENSE SECRETARY CLEMEONT'S FEB. 26, 1975 LETTER TO AMBASSADOR KINTNER WHICH SAID USG WAS PREPARED TO ASSIST USMC GET TECHNICAL DATA PACKAGE FOR LAP FACILITY IN THAILAND), AND WE ASSUME BERMITE IS RESPONSIBLE U.S. FIRM. WE CONTINUE TO BELIEVE THAT PRICE AT WHICH USMC INTENDS TO SELL 20 MM ROUNDS TO RTG (FAR ABOVE FMS PRICE) IS TOO HIGH, BUT RTAF OFFICIALS ARE WITHOUT DOUBT ALSO AWARE OF THAT FACT, AND IF THEY GIVE GO-AHEAD TO USMC IT WILL BE FOR REASONS OF THEIR OWN CHOOSING. WINCHESTER SALESMEN ALSO STRESSED PRICE FACTOR IN TALKS WITH THAI HERE IN DECEMBER.

8. OUR MAIN INTERESTS LIE IN ASSURING THAT (1) ANY MUNITIONS PLANT DEAL STRUCK BETWEEN RTG AND U.S. FIRMS-- WHETHER USMC, WINCHESTER, OR OTHER-- IS AS CLEAN AS POSSIBLE AND THAT (WL AN EFFICIENT PLANT COMES ON STREAM ACCORDING TO WHATEVER SCHEDULE IS AGREED UPON. ONE NON-VIABLE

HK-33 RIFLE PLANT IS ENOUGH (AND THANKFULLY THAT WAS  
GERMAN-BUILT, NOT U.S.)

9. WITH REGARD WINCHESTER PROPOSAL TO EXPORT BALL POWDER  
PLANT AND EQUIPMENT (BUT APPARENTLY NOT RAW MATERIALS OR  
COMPONENTS) FROM USA TO THAILAND, WOULD SUCH TRANSACTION REQUIRE  
APPROVAL BY MUNITIONS CONTROL? ALSO, WHAT CONTROLS WOULD USG  
OR MANUFACTURER RETAIN OVER POTENTIAL FUTURE BLACK POWDER  
EXPORTS?  
WHITEHOUSE

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## Message Attributes

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